

STATUS OF GENERAL FUND EXPENDITURES

OVERVIEW

General Fund expenditures through December totaled \$627.4 million, or 26.9% of the total 2022-2023 Modified Budget. This expenditure level represents a slight increase of \$9.2 million, or 1.5%, from the December 2021 level. General Fund encumbrances through December totaled \$83.2 million, which are \$16.8 million below the December 2021 level, which is primarily due to lower Capital Contribution encumbrances. In total, expenditures and encumbrances through December totaled \$710.6 million, which constitutes 30.4% of the total Modified Budget (including reserves) of \$2.3 billion. When excluding reserves of \$383.6 million, expenditures and encumbrances through December constituted 36.4% of the total Modified Budget. The following chart displays the year-to-date expenditures (excluding encumbrances) compared to the prior year, by category.

**2022-2023
General Fund Expenditures through December
(\$ in Thousands)**

Category	Current Budget	YTD Actual	% of Budget	Prior Year % of Budget
Departmental Expenditures				
Personal Services	\$ 964,891	\$ 474,641	49.2%	50.4%
Non-Personal/Equipment	176,138	54,306	30.8%	31.6%
Other Departmental	37,184	11,831	31.8%	32.7%
<i>Subtotal Departmental Expenditures</i>	<u>1,178,213</u>	<u>540,778</u>	<u>45.9%</u>	<u>47.2%</u>
Non-Departmental Expenditures				
City-Wide Expenses	\$ 669,746	\$ 43,115	6.4%	10.5%
Capital Contributions	74,933	13,842	18.5%	12.3%
Transfers	29,651	29,651	100.0%	92.1%
Reserves	383,641	0	0.0%	0.0%
<i>Subtotal Non-Departmental</i>	<u>1,157,971</u>	<u>86,608</u>	<u>7.5%</u>	<u>10.6%</u>
Total	\$ 2,336,184	\$ 627,386	26.9%	31.4%

Overall, General Fund expenditures are within budgeted levels and savings of at least \$15 million are anticipated by year-end; however, this savings is likely to grow as vacancy estimates are refined. General Fund expenditure savings will assist in meeting the projected 2022-2023 Ending Fund Balance estimate that will be used as a funding source in the Five-Year General Fund Forecast and the 2023-2024 Proposed Budget. Expenditures savings will continue to be closely monitored over the coming months.

Expenditure adjustments totaling \$59.7 million are recommended in this report to accomplish the following: (1) implementing one net-zero urgent fiscal/program need related to employee recruitment efforts; (2) implement required technical/rebalancing adjustments; (3) account for new grants, reimbursements, and fees; and (4) complete clean-up actions. Additional information on these adjustments can be found in *Section III. Recommended Budget Adjustments and Clean-Up Actions* of this document. The following discussion highlights major General Fund expenditure activities through December.

STATUS OF GENERAL FUND EXPENDITURES

DEPARTMENTAL EXPENDITURES

Departmental expenditures include personal services (salaries, overtime, retirement, health, and other fringe benefit costs), non-personal/equipment, and other departmental expenses. Personal services costs represent the largest single General Fund expense category for the City. These costs accounted for over 75% of the total General Fund expenditures (excluding encumbrances) to date.

Through December, personal services expenditures for all City departments of \$474.6 million, or 49.2% of the current Modified Budget, is slightly above the estimated levels of 48.5% at this point of the year. However, this expenditure level is slightly lower than the 50.4% expended through the same time period in the prior year. The higher than estimated expenditures in 2022-2023 are largely due to salary and benefit program increases that are not currently reflected in various department's Personal Services appropriations. This document includes recommendations to increase various departments' appropriations to fund the general wage increases that were negotiated and agreed to by the City and various bargaining units; for Management Pay for Performance Program (MPP) costs; for health benefit increases; and Side Letter Agreements with the International Union of Operating Engineers, Local No. 3 (OE#3) and Municipal Employees' Federation, AFSCME, Local 101 (MEF). If these actions are approved, personal services expenditures are preliminarily anticipated to fall below estimated levels, resulting in year-end savings of at least \$15 million. As of December 31, 2022, the City had 925 vacancies city-wide (all funds), compared to 778 (as of 12/31/2021) vacancies in the prior year, representing a vacancy factor of approximately 14.3%. The total increase in vacancies is primarily driven by the addition of 238 positions in the 2022-2023 Adopted Operating Budget.

Non-Personal/Equipment expenditures of \$54.3 million are below anticipated levels with 30.8% expended through December. This expenditure level is slightly lower than the 31.6% expended through December 2021. Encumbrances through December totaled \$41.0 million, which when combined with the non-personal/equipment expenditures, brings the total amount of funding committed to \$95.3 million, or 54.1% of the \$176.1 million budget. Overall, these expenditures are expected to remain within budget for all departments, with a moderate amount of savings generated by year-end.

The Other Departmental category includes the budget for the Mayor and City Council and Parks, Recreation and Neighborhood Services Fee Activities. Through December, Other Departmental expenditures totaled \$11.8 million, which represents 31.8% expended of the \$37.2 million budget through December. This expenditure level is slightly lower than the 32.7% expended through December 2021. Expenditures in this category are expected to end the year within budgeted levels.

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STATUS OF GENERAL FUND EXPENDITURES

Following is a discussion of the Police Department, Fire Department, and non-departmental expenditures.

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Expenditure Status (\$ in Thousands)

<u>Department</u>	<u>2022-2023 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Police	\$493,665	\$238,039	\$240,578

Overall, Police Department expenditures are slightly below estimated levels through December, and Personal Services expenditures are tracking to end the year within budgeted levels after accounting for adjustments recommended in this report to allocate salary program increases for a new Police Officers Association labor agreement and the International Union of Operating Engineers, Local No. 3.

Personal Services expenditures of \$222.8 million are slightly above the anticipated level for this point of the year (49.52% expended, compared to the par level of 48.49%), with overtime expenditures of \$25.5 million (99.07% of the total \$25.8 million budget). Year-to-date overtime expenditures are 17.29% above 2021-2022 levels which are primarily attributed to increased overtime usage and increased wages. Overtime hours through December (283,266) increased by approximately 14.78% over the same period in the prior fiscal year (246,790). The increased overtime usage is attributed to staffing shortages, backfilling street-ready vacancies, and increased caseload in the Homicide, Sexual Assault, Robbery and Gang Investigation Units, which is attributable to more community interactions and delayed crime reporting from periods of higher COVID-19 case counts. After accounting for the salary program adjustments of \$10.9 million (offset by a corresponding reduction to the Salaries and Benefits Reserve) for the newly negotiated labor agreement for the Police Officers Association, as well as anticipated healthcare premiums and management performance program, the Department is expected to remain within budgeted levels. As described below, the Department is taking additional steps to reduce overtime expenditures while also maintaining minimum staffing and service levels.

A total of \$15.2 million (34.82%) of the Department’s Non-Personal/Equipment budget (\$43.8 million, including carry-over encumbrances) has been expended through December. Excluding the remaining balances for centrally-determined details (\$12.0 million), which include electricity, gas, and water utilities, as well as vehicle operations, maintenance, and replacement, the Police Department has approximately \$16.5 million, or 37.7% of its Non-Personal/Equipment budget available for the remainder of the fiscal year. Non-Personal/Equipment expenditures are well below estimated levels (34.82% expended, compared to the par level of 48.49%) and are anticipated to end the year within budgeted levels.

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Overtime consists of both overtime expenditures and compensatory time. The Memorandum of Agreement (MOA) with the Police Officer's Association (POA) limits how much overtime can be earned for pay versus compensatory time. The Police Department continues to diligently work to fill vacancies in both sworn and civilian positions, using vacancy savings and the \$7.4 million in one-time funding from the Sworn Hire Ahead Program to pay for Police Academy Recruits as well as to backfill patrol and investigative positions on overtime. While the goal is to fill vacancies and eliminate the need to backfill positions, the normal duration for the academy and field training is approximately 10-12 months, requiring overtime to backfill vacancies in patrol until the new recruits are ready to serve as solo beat officers. Effective vacancy levels, which include vacancies, field training officers, academy recruits, and sworn personnel on disability, modified, or other leaves, reduce the amount of street-ready sworn officers available and are the most significant contributing factor to overtime usage. The effective vacancy rate was 20.0% as of December 30, 2022. Historically, the effective vacancy rate has averaged 20.4% (based on the 5-year period between 2017-2018 and 2021-2022), resulting in the build-up of compensatory time balances for sworn personnel, for which there is a limit of 480 hours after which sworn personnel are paid in overtime for any additional hours worked.

In accordance with the POA MOA, the Police Department is enforcing compensatory time controls by requiring all sworn staff, outside of the Bureau of Field Operations (BFO), to reduce compensatory time balances by the end of each calendar year, or to submit a request for an extension and to prioritize compensatory time as requested time off (outside of sick leave purposes). On November 22, 2021, the Chief issued an order to reduce compensatory time balances for any sworn staff member who believes they will not be able to take the excess time off before the end of the calendar year. This order requires sworn staff to submit a plan to their immediate supervisor each year, consistent with MOA section 13.6.5.1, by December 1, excluding sworn staff assigned to Patrol. Each plan must outline how a sworn staff member will reduce their compensatory time by March 31. These changes are intended to reduce the number of officers reaching the 480-hour limit. The plans have been implemented, but due to the needs of the Department (staffing, workload, and specific assignments), there has been limited flexibility in allowing staff to take time off; however, the Department has seen a large majority of individuals taking at least a portion of their excess time off, which has contributed to a reduction in compensatory time hours across the Department. Additionally, on December 13, 2022, the City Council approved a new POA MOA contains a provision to require that all vacation requests for an employee whose compensatory time balance has reached 300 hours come from the employee's compensatory time balance until the balance falls below 240 hours.

Finally, focus groups have been created in each Bureau of the Department. These groups have started meeting to discuss solutions around workload and overtime issues and will bring recommendations to be considered by the Police Chief's Office and City Manager's Budget Office in the coming weeks. These actions, as well as the other recommendations included in the Police Staffing, Expenditures, and Workload audit report are intended to address, slow, and reverse the growth of overtime and compensatory time use. However, the size of recruit academies and the number of graduates completing their training periods remains a critical component of managing overtime levels.

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

The City Auditor’s March 2021 Police Staffing, Expenditures, and Workload audit report included several recommendations to increase the number of compensatory time-related data that should be included in the Mid-Year Budget Review, Bi-Monthly Financial Reports, and Annual Report. The table below summarizes this data. While compensatory time usage and balances remain high, it is important to note that the Department has made meaningful progress in some of these categories when compared to the prior year. This progress can be seen in the short term, as the Department reported a sworn compensatory time balance liability of 355,595 hours through December 2021, which has now been reduced to 351,007 as of December 2022. However, the increase in “YTD Overtime Expenses for Staff at the 480-hour Limit” has notably increased and is attributable to the overall elevated overtime usage through December as described above.

	December 2021	December 2022	% Change from 2021 to 2022	% Change from 2020 to 2021
# of Sworn Personnel at 480-hour limit	408	450	10.29%	(8.32%)
# of Sworn Personnel between 240 and 480 hours	324	273	(15.74%)	17.00%
Sworn Compensatory Time Balance Liability (hours)	355,595	351,007	(1.29%)	1.17%
Sworn Compensatory Time Balance Liability (\$)	\$27.1 M	\$28.2 M	3.88%	9.33%
YTD Overtime Expenses for Staff at 480-hour Limit (\$)¹	\$9.2 M	\$10.9 M	18.84%	(3.64%)

The table below provides a summary of sworn staffing vacancies and street-ready officers. There are currently two active academies, June 2022 (22 recruits) and October 2022 (23 recruits). The Department is anticipating that the February 2023 and June 2023 academies will draw 18 and 20 recruits, respectively. As of December 30, 2022, of the 1,173 authorized sworn staff, 65 were in training (5.5%) and 82 were on disability/modified duty/other leaves (6.9%).

	2021-2022 (as of 12/31/2021)	2022-2023 (as of 12/30/2022)
Authorized Sworn Positions	1,153	1,173
(Vacancies)/Overstaff	(9)	(88)
Filled Sworn Positions²	1,144	1,085
Field Training Officer/Recruits	(104)	(65)
Street-Ready Sworn Officers Available	1,040	1,020
Disability/Modified Duty/Other Leaves	(122)	(82)
Street-Ready Sworn Officers Working	918	938

¹ The prior 2021-2022 Mid-Year Report included other units which were incorrectly included in the calculation of the overtime expenses time. This report has corrected that error.

² Filled sworn positions and authorized sworn positions may vary due to vacancies or the approval of over-strength (temporary) positions. The Police Department has special authority under the City’s Sworn Hire Ahead Program to overstaff sworn positions to get a head start on training recruits due to retirement and other separation.

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Expenditure Status (\$ in Thousands)

<u>Department</u>	<u>2022-2023 Budget</u>	<u>YTD Actual</u>	<u>Prior YTD Actual</u>
Fire	\$274,383	\$137,552	\$141,374

The Fire Department’s budget totals \$274.4 million, which is comprised of \$262.1 million in personal services and \$12.3 million in non-personal/equipment expenditures. Overall, Fire Department expenditures are performing slightly above estimated levels through December 2022. Personal services expenditures of \$131.3 million, or 49.9% of the budgeted levels, are trending slightly higher than the expected level of 48.49% at this point in the year, but are expected to end the year within budgeted levels after accounting for anticipated allocations from the Salaries and Benefits Reserve and the reimbursements related to wildfire deployments that will be recognized as part of the 2022-2023 year-end clean-up process.

The pace of personal services expenditures in the current year can be partially attributed to the demand for frontline personnel to respond to incidents during the wildland fire season in 2022, while continuing to maintain the daily minimal staffing levels of deployed resources of 190 personnel. The Department responded to approximately 53,000 incidents (Priority 1 and Priority 2 type calls) through December 2022, resulting in a 10% increase in emergency response services compared to 48,000 incidents over the same period in 2021-2022. In addition, the recently approved collective bargaining agreement for IAFF, approved by City Council on November 15, 2022, increased compensation levels by 2% for impacted classifications, contributing to higher overall costs. Funding for this adjustment was anticipated as part of the development of the 2022-2023 Adopted Budget and set aside in the Salary and Benefits Reserve. Accordingly, the 2022-2023 Mid-Year Budget Review includes recommended adjustments to reallocate \$3.2 million for the Fire Department’s personal services budget, which is expected to address the current forecasted overage. The Department also anticipates \$2.2 million in reimbursed funds by the State of California’s Office of Emergency Services and Cal Fire related to wildfire mutual aid response, of which \$1.9 million has been received to date. Future budget action will be brought forward later in the fiscal year to recognize the full value of anticipated reimbursements in 2022-2023.

The Fire Department’s non-personal/equipment budget of \$12.3 million was 49.6% expended or encumbered through December 2022. The Department’s non-personal/equipment expenditures are above the expected levels of 48.49% primarily due to encumbrances (\$2.0 million). At this point in the year, it is expected the Fire Department will remain within budgeted levels.

STATUS OF GENERAL FUND EXPENDITURES

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

Fire Department Staffing

The average sworn vacancy rate of 6.81% through December 2022 (49 sworn positions are currently vacant) is higher than the vacancy rate of 4.87% experienced at this time last year. The table below provides a summary of sworn staffing vacancies compared to the Department’s authorized budgeted positions by rank.

DISCUSSION OF SELECTED GENERAL FUND DEPARTMENTS

	2021-2022 (12/25/21)	2022-2023 (12/26/22)
Total Authorized Budgeted Positions	719	720
<i>(Vacancies)</i>	<i>(35)</i>	<i>(49)</i>
<i>Deputy Fire Chief</i>	<i>(1)</i>	<i>-</i>
<i>Arson Investigator</i>	<i>(0)</i>	<i>(1)*</i>
<i>Fire Prevention Inspector</i>	<i>-</i>	<i>(2)</i>
<i>Battalion Chief</i>	<i>(3)</i>	<i>(1)</i>
<i>Fire Captain</i>	<i>(7)</i>	<i>(2)</i>
<i>Fire Engineer</i>	<i>(14)</i>	<i>(21)</i>
<i>Firefighter</i>	<i>(10)</i>	<i>(22)</i>

*The 2022-2023 Adopted Operating Budget added 1.0 Arson Investigator position.

Two firefighter academies (22-01 & 22-02) began in June 2022 and September 2022. Academy 22-01 concluded in November 2022 with 12 graduates assigned to the front line, and Academy 22-02 is expected to be conclude in February 2023 with 13 graduates. As part of the 2021-2022 Annual Report, the City Council authorized \$1.5 million in seed funding to implement the Fire Department’s Lateral Firefighter/Paramedic Academy, anticipated to begin in March 2023, which will help mitigate impacts from the current shortage of paramedics experienced nationwide. To extend their reach for recruitment and to pull from a larger, diverse audience, the Department is advancing outreach efforts through partnerships with local, regional, and nationwide public safety agencies. A recruitment was conducted in November 2022 with potential candidates advancing through the recruitment process to participate in Academy 23-01. The Department is continuing efforts to address paramedic recruitment challenges and will recruit, hire, and train personnel to keep pace with staffing attrition and address key vacancies.

In accordance with the City Council’s approval of a March 2010 report on annual vacancy and absence rates, the Fire Department has committed to limiting administrative assignments for sworn administrative personnel for overtime control purposes. As of the end of October, of the 31 current authorized staffing level, the Fire Department had 31 sworn personnel on administrative assignments.

STATUS OF GENERAL FUND EXPENDITURES

NON-DEPARTMENTAL EXPENDITURES

Non-Departmental expenditures include City-Wide Expenses, Capital Contributions, Transfers, and Reserves. Through December, non-departmental expenditures (excluding encumbrances) totaled \$86.6 million, or 7.5% of the \$1.16 billion budget (including the Earmarked and Contingency Reserves). When excluding the reserves, the expenditures through December represent 11.2% of the 2022-2023 Modified Budget.

Through December, City-Wide Expenses (excluding encumbrances) totaled \$41.1 million, or 6.4% of the 2022-2023 Modified Budget of \$669.7 million. Encumbrances through December totaled \$30.3 million, which when combined with the expenditures, brings the total amount of funding committed to \$73.4 million, or 11.0% of the \$669.7 million budget. This expenditure level is slightly lower than the 14.6% expended through December 2021. Expenditures in this category are expected to end the year within budgeted levels.

**2022-2023 City-Wide Expenses
Expenditures by City Service Area**

(\$ in Thousands)

City Service Area	Current Budget	YTD Actual	% of Budget	Prior Year Actual	Prior Year % of Budget
Community & Economic Development	\$ 157,966	\$ 6,102	3.9%	\$ 11,256	17.9%
Environmental & Utility Services	1,872	380	20.3%	1,121	44.1%
Neighborhood Services	33,943	7,641	22.5%	6,386	29.1%
Public Safety	33,486	12,902	38.5%	11,335	46.1%
Transportation & Aviation Services	5,984	1,107	18.5%	2,005	34.5%
Strategic Support	436,495	12,983	3.0%	17,396	4.9%
TOTAL	669,746	41,115	6.4%	49,499	10.5%

Several adjustments to the City-Wide Expenses appropriations are recommended in this report to align the budget with the year-end expenditure projections. In total, adjustments recommended in this report result in a net decrease of \$79.0 million to City-Wide Expenses. The significant actions are summarized in the Transmittal Memorandum and details of all actions can be found in *Section III. Recommended Budget Adjustments and Clean-Up Actions* of this 2022-2023 Mid-Year Budget Review.

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NON-DEPARTMENTAL EXPENDITURES

The following highlights key appropriations in City-Wide Expenses across the six different CSAs:

- In June 2022, City Council approved the issuance and sale of \$360.0 million in Tax and Revenue Anticipation Notes (TRANs) to ensure sufficient cash flow for prepayment of portions of the City’s retirement contributions. The \$360.0 million TRANs Debt Service appropriation is used for repayment of these TRANs, including issuance, principal, and interest costs. However, the entire amount of the budgeted TRANs Debt Service allocation is not needed and an action to reduce the TRANs Debt Service appropriation by a total of \$79.0 million – a decrease of \$85.0 million to reflect the lower amount of TRANs that was actually issued and an increase of \$6.0 million to reflect higher interest cost – is recommended in this report. The \$6.0 million increase is offset by a \$1.5 million transfer in from other Special and Capital funds for their proportionate share of the debt service cost and the recognition of a \$4.5 million of additional revenue received from General Fund interest earnings.
- Workers’ Compensation Claims appropriations totaling \$21.5 million are budgeted in four of the six CSAs, with total expenditures of \$11.3 million through December 2022, or approximately 52.7% of the 2022-2023 Modified Budget. This expenditure level is just 3.9% above the \$10.9 million expended through December 2021. An action to increase Workers’ Compensation Claims – Public Works Department by \$250,000 offset by a decrease to Workers’ Compensation Claims – PRNS Department is recommended in this report. The Administration will continue to closely monitor workers’ compensation claims activity and will bring forward any additional adjustments as needed.
- In the Strategic Support CSA, the General Liability Claims appropriation totals \$16.6 million, of which 16.6%, or \$2.8 million, is expended or encumbered through December 2022. This is a significant decrease in spending year over year; total commitments through December 2021 were \$7.6 million, or 41.1% of the \$18.5 million budget. The amount and pace of claims-related expenditures can vary significantly from year to year.
- In the Neighborhood Services CSA, the San José BEST and Safe Summer Initiative Programs appropriation has year-to-date expenditures of \$1.6 million with an additional \$1.4 million encumbered for a total of \$3.0 million committed, reflecting 37.3% of the total budget of \$8.0 million. In comparison, this reflects a slight decrease from the prior year spending, of which \$3.3 million was expended or encumbered through December 2021 of a total budget of \$7.3 million. This appropriation supports gang prevention and intervention efforts across the City.
- Sick Leave Payments Upon Retirement expenditures, allocated in the Strategic Support CSA, of \$1.1 million through December reflect 23.0% of the total 2022-2023 budget estimate of \$5.0 million. Year-to-date expenditures for these payouts reflect an increase from the prior year levels of \$886,000 through December 2021. In comparison, however, expenditures through December 2020 were \$1.0 million and expenditures through December 2019 were \$923,000. It is important to note, however, that the majority of expenditures in this appropriation typically occur in the second half of the year. Year-end expenditures are anticipated be at or below the budgeted estimate of \$5.0 million.

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NON-DEPARTMENTAL EXPENDITURES

- In the Community and Economic Development CSA, the Emergency Interim Housing Construction and Operation appropriation has expended and encumbered \$6.6 million or 30.8% of the 2022-2023 Modified Budget of \$21.5 million. This one-time 2022-2023 appropriation is supplemented by \$18.5 million from the American Rescue Plan Fund and invests in the acquisition, construction, and operation of emergency interim housing facilities to address the City’s ongoing efforts related to homelessness.

Through December, General Fund **Capital** expenditures (\$13.8 million) and encumbrances (\$11.9 million) total \$25.7 million, which represents 34.3% of the \$74.9 million budget. Overall, minimal General Fund Capital expenditure savings are anticipated, as the rebudget of unspent funds to 2023-2024 will be recommended to complete projects.

Through December, all of the General Fund **Transfers** have been fully executed, with expenditures totaling \$29.7 million, or 100% of the budget.

There are no expenditures against the **Earmarked Reserves** budget of \$345.7 million because expenditures cannot be charged directly to a reserve (to use Reserve funding, budget actions are necessary to move funding from a Reserve to an expenditure appropriation). The largest reserves include the: Budget Stabilization Reserve (\$61.0 million); Revenue Loss Reserve (\$60.0 million); Measure E – 40% Extremely Low-Income Households Reserve (\$51.2 million); Measure E – 30% Low-Income Households Reserve (\$50.4 million); Salaries and Benefits Reserve (\$25.1 million); Measure E – 15% Homeless Support Programs Reserve (\$20.2 million); Workers’ Compensation/General Liability Catastrophic Reserve (\$15.0 million); Community and Economic Recovery Reserve (\$10.2 million); Measure E – 5% Moderate-Income Households Reserve (\$9.0 million); Information Technology Sinking Fund Reserve (\$6.5 million); Measure E – 10% Homeless Prevention and Rental Assistance Reserve (\$6.4 million); FEMA Non-Reimbursable Expenses Reserve (\$5.0 million); Fire Station FF&E Reserve (\$3.8 million); Google Parking Lots Option Payment Reserve (\$3.8 million); Artificial Turf Capital Replacement Reserve (\$3.4 million); Code Enforcement Permit System Reserve (\$2.8 million); Berryessa Flea Market Vendor Business Transition Fund Reserve (\$2.4 million); and, Sick Leave Payments Upon Retirement Reserve (\$2.0 million).

Several budget actions are recommended in this report that impact General Fund Reserves, including: the establishment of the 2022-2023 Ending Fund Balance Reserve (\$9.4 million); establishment of the 2023-2024 Recruitment Centralization Pilot Program Reserve (\$1.1 million); net reduction of \$15.5 million to the Salaries and Benefits Reserve for reallocation to the respective departmental personal services appropriations to support management pay for performance and other compensation adjustments; reduction of \$3.0 million to the FEMA Non-Reimbursable Expenses Reserve to offset lower projected reimbursements in the Emergency Reserve Fund; and, a net reduction of \$2.0 million to Measure E reserves to reallocate funds to support Measure E – Storm Evacuee Transition Facilities (15% HSP). These actions are summarized in the Transmittal Memorandum and all reserve actions are described in detail in *Section III. Recommended Budget Adjustments and Clean-Up Actions* of this document.

No budget action is recommended for the Contingency Reserve, which currently totals \$46.0 million and complies with the City Council policy to set aside 3% of expenditures.